



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
METCALFE COUNTY FISCAL COURT**

Fiscal Year Ended June 30, 1998

**EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS
WWW.KYAUDITOR.NET**

**144 CAPITOL ANNEX
FRANKFORT, KY 40601
TELE. (502) 564-5841
FAX (502) 564-2912**

CONTENTS

PAGE

INDEPENDENT AUDITOR’S REPORT	1
METCALFE COUNTY OFFICIALS	3
STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES ARISING FROM CASH TRANSACTIONS.....	7
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES	10
NOTES TO FINANCIAL STATEMENTS	12
COMPARATIVE SCHEDULE OF BUDGETED TO ACTUAL OPERATING REVENUE	19
SCHEDULE OF OPERATING REVENUE	22
COMPARATIVE SCHEDULE OF FINAL BUDGET AND BUDGETED EXPENDITURES	31
SCHEDULE OF UNBUDGETED EXPENDITURES.....	41
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	45
COMMENTS AND RECOMMENDATIONS.....	49
APPENDIX A: CERTIFICATION OF COMPLIANCE – LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM	



Edward B. Hatchett, Jr. Auditor of Public Accounts

To the People of Kentucky

Honorable Paul E. Patton, Governor

John P. McCarty, Secretary

Finance and Administration Cabinet

Mike Haydon, Secretary, Revenue Cabinet

Honorable Donald M. Butler II, Metcalfe County Judge/Executive

Honorable Richard M. Froedge, Former Metcalfe County Judge/Executive

Members of the Metcalfe County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and fund balances arising from cash transactions of Metcalfe County, Kentucky, as of June 30, 1998, and the related statement of cash receipts, cash disbursements, and changes in cash balances for the year then ended. These financial statements are the responsibility of the Metcalfe County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as described in the fourth paragraph, we conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Metcalfe County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky. Consequently, certain revenues and the related assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when a liability is incurred. The cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

To the People of Kentucky

Honorable Paul E. Patton, Governor

John P. McCarty, Secretary

Finance and Administration Cabinet

Mike Haydon, Secretary, Revenue Cabinet

Honorable Donald M. Butler II, Metcalfe County Judge/Executive

Honorable Richard M. Froedge, Former Metcalfe County Judge/Executive

Members of the Metcalfe County Fiscal Court

The Commonwealth of Kentucky, 43rd Judicial Circuit, Metcalfe Circuit Court has issued indictment number 99-CR-00058 against former County Judge/Executive Richard M. Froedge. The grand jury charged that on or about March 6, 1998 and March 9, 1998, the defendant committed the crime of theft by failure to make required disposition of property over \$300 when he intentionally directed the use of the property of Metcalfe County, including county employees, gravel, trucks, and other material or equipment to gravel a private driveway. The value of the converted property was over \$300. The former County Judge/Executive signed the management representation letter. However, the County Treasurer declined to sign the management representation letter for fiscal year ending June 30, 1998.

In our opinion, except for the effects of those items discussed in the preceding paragraph, if any, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balances arising from cash transactions of Metcalfe County, Kentucky, and the related statement of cash receipts, cash disbursements, and changes in cash balances as of and for the year ended June 30, 1998, in conformity with the cash basis of accounting described above.

While we were conducting our audit, a payment of \$151,419 was made for rock and hot-mix that was not properly supported. When we conducted our exit conference with former County Judge/Executive Froedge, he explained that these records were there when he left office. Subsequently, he submitted copies of invoices and job tickets to support these expenditures. We have referred this matter to the Commonwealth's Attorney for Metcalfe County.

Our audit was performed for the purpose of forming an opinion on the financial statements of Metcalfe County, Kentucky, taken as a whole. The information provided on the accompanying schedules is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the financial statements taken as a whole.

Based on the results of our audit, we present the accompanying comments and recommendations, included herein, which discusses the following areas of noncompliance:

- Personnel Files Should Be Properly Maintained For County Employees
- All Funds Should Be Budgeted And Maintained By The County Treasurer
- Accurate Accounting Records Should Be Maintained By The County
- The County Should Adopt A Written Investment Policy
- The County Should Maintain An Investments Ledger

To the People of Kentucky

Honorable Paul E. Patton, Governor

John P. McCarty, Secretary

Finance and Administration Cabinet

Mike Haydon, Secretary, Revenue Cabinet

Honorable Donald M. Butler II, Metcalfe County Judge/Executive

Honorable Richard M. Froedge, Former Metcalfe County Judge/Executive

Members of the Metcalfe County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated January 5, 2000, on our consideration of Metcalfe County, Kentucky's compliance with certain provisions of laws, regulations, contracts, and grants, and internal control over financial reporting.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.

Auditor of Public Accounts

Audit fieldwork completed -
January 5, 2000

THIS PAGE LEFT BLANK INTENTIONALLY

METCALFE COUNTY OFFICIALS

June 30, 1998

Richard M. Froedge	Former County Judge/Executive
John P. Blevins	County Attorney
Sherry Lee	Former County Clerk
Mary M. Shive	Circuit Court Clerk
Rex Bunch	Former Sheriff
Patrick McKenzie	Former Jailer
Michael Welsh	Property Valuation Administrator
Glenn Finn	County Treasurer
Don M. Butler II	Former Coroner
Jessie L. Harper	Magistrate
Harry H. Huffman	Former Magistrate
Dale Westmoreland	Former Magistrate
Jimmy R. Phelps	Former Magistrate

STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

METCALFE COUNTY
STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

June 30, 1998

Assets

General Fund:		
Cash	\$	67,159
Road and Bridge Fund:		
Cash		17,814
Investments		102,596
Jail Fund:		
Cash		8,921
Local Government Economic Assistance Fund:		
Cash		3,406
Ambulance Fund:		
Cash		87,769
Investments		108,028
Parks Fund:		
Cash		421
Disaster and Emergency Services Fund:		
Cash		1,132
Animal Shelter Fund:		
Cash		1,569
Courthouse Fund:		
Cash		239
Payroll Fund:		
Cash		<u>2,102</u>
Total Assets	\$	<u><u>401,156</u></u>

The accompanying notes are an integral part of the financial statements.

METCALFE COUNTY
 STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES
 ARISING FROM CASH TRANSACTIONS
 June 30, 1998
 (Continued)

Liabilities and Fund Balances

Liabilities

Payroll Fund - Due to Third Parties	\$ 2,102
-------------------------------------	----------

Fund Balances

Reserved:

Animal Shelter Fund	1,569
---------------------	-------

Unreserved:

General Fund	67,159
Road and Bridge Fund	120,410
Jail Fund	8,921
Local Government Economic Assistance Fund	3,406
Ambulance Fund	195,797
County Parks Fund	421
Disaster and Emergency Services Fund	1,132
Courthouse Fund	239

Total Liabilities and Fund Balances	<u>\$ 401,156</u>
-------------------------------------	-------------------

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

METCALFE COUNTY
STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

Fiscal Year Ended June 30, 1998

	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 1,674,172	\$ 595,565	\$ 908,213	\$ 33,538
Transfers In	120,717	45,531		67,392
Prior Year Voided Checks	230	230		
Prior Year Unrecorded Interest	2,697			
Animal Shelter Receipts	1,569			
Courthouse Vending Receipts	414			
Total Cash Receipts	<u>\$ 1,799,799</u>	<u>\$ 641,326</u>	<u>\$ 908,213</u>	<u>\$ 100,930</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 1,550,674	\$ 589,296	\$ 777,348	\$ 92,913
Schedule of Unbudgeted Expenditures	175			
Transfers Out	120,717	75,186	45,531	
Total Cash Disbursements	<u>\$ 1,671,566</u>	<u>\$ 664,482</u>	<u>\$ 822,879</u>	<u>\$ 92,913</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ 128,233	\$ (23,156)	\$ 85,334	\$ 8,017
Cash Balance - July 1, 1997	<u>270,821</u>	<u>90,315</u>	<u>35,076</u>	<u>904</u>
Cash Balance - June 30, 1998*	<u>\$ 399,054</u>	<u>\$ 67,159</u>	<u>\$ 120,410</u>	<u>\$ 8,921</u>

* Cash Balance Includes Investments

The accompanying notes are an integral part of the financial statements.

METCALFE COUNTY
 STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN CASH BALANCES
 Fiscal Year Ended June 30, 1998
 (Continued)

Local Government Economic Assistance Fund	Ambulance Fund	County Parks Fund	Disaster and Emergency Services Fund	Animal Shelter Fund	Courthouse Fund
\$ 6,979	\$ 120,992	\$ 1,839 2,500	\$ 7,046 5,294	\$	\$
	2,697			1,569	414
<u>\$ 6,979</u>	<u>\$ 123,689</u>	<u>\$ 4,339</u>	<u>\$ 12,340</u>	<u>\$ 1,569</u>	<u>\$ 414</u>
\$ 4,800	\$ 70,368	\$ 4,354	\$ 11,595	\$	\$ 175
<u>\$ 4,800</u>	<u>\$ 70,368</u>	<u>\$ 4,354</u>	<u>\$ 11,595</u>	<u>\$</u>	<u>\$ 175</u>
\$ 2,179 1,227	\$ 53,321 142,476	\$ (15) 436	\$ 745 387	\$ 1,569	\$ 239
<u>\$ 3,406</u>	<u>\$ 195,797</u>	<u>\$ 421</u>	<u>\$ 1,132</u>	<u>\$ 1,569</u>	<u>\$ 239</u>

METCALFE COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 1998

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Metcalfe County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the application of the criteria stated in GASB 14, there are no component units which merit consideration as part of the reporting entity.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts.

C. Basis of Accounting

The financial statements were prepared on a cash basis of accounting pursuant to Kentucky Revised Statute (KRS) 68.210 as recommended by the State Local Finance Officer. Consequently, certain revenues and related assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when a liability is incurred. The cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts.

D. Legal Compliance - Budget

The Metcalfe County budget is adopted on a cash basis of accounting and laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

E. Cash and Investments

Cash includes amounts in bank accounts, and investments are stated at cost. Investments may include certificates of deposit on the financial statements; however, for the purpose of disclosing credit risk (Note 3), investments exclude certificates of deposit.

METCALFE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 1998
(Continued)

Note 1. (Continued)

E. Cash and Investments (Continued)

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 8.65 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report.

Note 3. Deposits and Investments

A. Deposits

The county maintains deposits with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to law, the depository institution should pledge sufficient securities as collateral which, together with FDIC insurance, equals or exceeds the amount on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge of securities should be evidenced by an agreement that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. This agreement, signed by both parties, must be sufficient to create an enforceable and perfected security interest in the collateral under Kentucky law. The county met the requirements stated above, and as of June 30, 1998, deposits were fully insured or collateralized at a 100% level with securities held by the county's agent in the county's name.

METCALFE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 1998
(Continued)

Note 4. Economic Dependency

The county received \$941,499 from the state of Kentucky and the federal government. This amount represents 52.3% of the county's aggregate receipts.

Note 5. Lease-Purchase Agreements

The county has entered into the following lease-purchase agreements:

<u>Description</u>	<u>Purchase Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Principal Balance June 30, 1998</u>
Voting Machines	04/10/1995	6/1/2000	3.98%	\$ 26,136
Road Equipment	06/12/1995	07/01/2000	4.58%	\$ 48,151
Road Equipment	01/23/1996	02/01/2001	4.58%	\$ 81,592
Fire Dept Vehicle	03/04/1996	05/01/2005	4.58%	\$ 69,308
Road Equipment	11/07/1997	12/20/2002	4.28%	\$ 23,638

Note 6. Related Party Transactions

During the fiscal year ended June 30, 1998, the fiscal court paid \$2,200 to the Edmonton Rental Properties for rent on a storage facility for the Metcalfe County Clerk's office. Metcalfe County Attorney John Paul Blevins is a half owner in Edmonton Rental Properties. The facility is used to store electronic voting machines which require that the storage space be heated and within walking distance of the County Clerk's office. Also, the fiscal court paid \$3,625 to Neal Froedge and \$977 to Froedge Machine and Supply Co., Inc. for repairs to road equipment. Neal Froedge and the owner of Froedge Machine and Supply Co., Inc. are cousins to former County Judge/Executive Richard M. Froedge. None of these transactions appear to be in violation of the county's ethics code.

Note 7. Sub-Lease To Metcalfe Volunteer Fire Department

During the fiscal year ending June 30, 1996, the county entered into a lease with the Kentucky Association of Counties' Leasing Trust (KACoLT) (See Note 4) for the financing of a fire truck. The county subsequently sub-leased this fire truck to the Metcalfe County Volunteer Fire Department. The county has the option to renew the lease with KACoLT on a fiscal year basis for ten years. The principal amount is \$100,000, with a variable interest rate of 5.6%.

METCALFE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 1998
(Continued)

Note 8. Insurance

For the fiscal year ended June 30, 1998, Metcalfe County was a member of the Kentucky Association of Counties' All Lines Insurance Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

THIS PAGE LEFT BLANK INTENTIONALLY

COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

METCALFE COUNTY
COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

Fiscal Year Ended June 30, 1998

<u>Budgeted Funds</u>	<u>Budgeted Operating Revenue</u>	<u>Actual Operating Revenue</u>	<u>Over (Under) Budget</u>
General Fund	\$ 536,851	\$ 595,565	\$ 58,714
Road and Bridge Fund	804,505	908,213	103,708
Jail Fund	110,817	33,538	(77,279)
Local Government Economic Assistance Fund	4,800	6,979	2,179
Ambulance Fund	108,020	120,992	12,972
County Parks Fund	4,400	1,839	(2,561)
Disaster and Emergency Services Fund	10,435	7,046	(3,389)
Total	<u>\$ 1,579,828</u>	<u>\$ 1,674,172</u>	<u>\$ 94,344</u>
<u>Reconciliation</u>			
Total Budgeted Operating Revenue Above			\$ 1,579,828
Add: Budgeted Prior Year Surplus			<u>238,315</u>
Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures			<u>\$ 1,818,143</u>

THIS PAGE LEFT BLANK INTENTIONALLY

SCHEDULE OF OPERATING REVENUE

METCALFE COUNTY
SCHEDULE OF OPERATING REVENUE

Fiscal Year Ended June 30, 1998

	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
Revenue From Local Taxes <u>and Excess Fees</u>				
Sheriff:				
Taxes	\$ 208,369	\$ 120,876	\$	\$
County Clerk:				
Deed Transfer Tax	13,771	13,771		
Delinquent Taxes	1,449	833		
Occupational Taxes	254	254		
Excess Fees - 1996	563	563		
Excess Fees - 1995	9,440	9,440		
Bank Deposit Franchise Taxes:				
1997 Taxes	16,166	16,166		
1996 Taxes	15,115	15,115		
Tangible Personal Property Taxes:				
Other Counties	5,405	4,136		
County Clerk	45,949	25,715		
Omitted Tangible Property Taxes	288	261		
Occupational Employment Tax	247,374	247,374		
In Lieu of Taxes:				
Tennessee Valley Authority	33,949	33,949		
Totals	<u>\$ 598,092</u>	<u>\$ 488,453</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>U.S. Treasurer</u>				
Federal Emergency Management Agency Reimbursement - Tornado	<u>\$ 29,472</u>	<u>\$ 0</u>	<u>\$ 29,472</u>	<u>\$ 0</u>
<u>Federal Receipts - State Treasurer</u>				
Disaster and Emergency Assistance Grants - Coordinator Salary	\$ 5,019	\$	\$	\$
Disaster and Emergency Assistance Grant - 1997 Flood Relief	1,329			

METCALFE COUNTY
SCHEDULE OF OPERATING REVENUE
Fiscal Year Ended June 30, 1998
(Continued)

Local Government Economic Assistance Fund	Ambulance Fund	County Parks Fund	Disaster and Emergency Services Fund
\$	\$ 87,493	\$	\$
	616		
	1,269 20,234 27		
\$ 0	\$ 109,639	\$ 0	\$ 0
\$ 0	\$ 0	\$ 0	\$ 0
\$	\$	\$	\$ 5,019 1,329

METCALFE COUNTY
 SCHEDULE OF OPERATING REVENUE
 Fiscal Year Ended June 30, 1998
 (Continued)

	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Federal Receipts - State Treasurer</u> (Continued)				
Kentucky Heritage Council - Grants	\$ 1,800	\$ 1,800	\$	\$
Federal Emergency Management Agency Reimbursement - Tornado	7,508		7,508	
Totals	\$ 15,656	\$ 1,800	\$ 7,508	\$ 0
<u>Kentucky State Treasurer</u>				
Jail:				
Allotments	\$ 22,000	\$	\$	\$ 22,000
Medical Allotments	2,223			2,223
Driving Under The Influence Fees	1,395			1,395
County Road Aid	570,832		570,832	
Rural - Secondary Roads	120,800		120,800	
Truck License Distribution	151,651		151,651	
Courthouse Rental - Administrative				
Office of the Courts	14,312	14,312		
Delinquent Taxes	1,053	893		
Refunds:				
Legal Process Tax	55	55		
Drivers Licenses	938		938	
Mineral Severance Taxes	6,979			
Board of Assessments	200	200		
Grants:				
Ambulance	3,240			
Disaster and Emergency Assistance Grant - Coordinator Salary	693			
Totals	\$ 896,371	\$ 15,460	\$ 844,221	\$ 25,618

Miscellaneous Revenue

METCALFE COUNTY
SCHEDULE OF OPERATING REVENUE
Fiscal Year Ended June 30, 1998
(Continued)

Local Government Economic Assistance Fund	Ambulance Fund	County Parks Fund	Disaster and Emergency Services Fund
\$	\$	\$	\$
\$ 0	\$ 0	\$ 0	\$ 6,348
\$	\$	\$	\$
	160		
6,979			
	3,240		
			693
\$ 6,979	\$ 3,400	\$ 0	\$ 693

METCALFE COUNTY
 SCHEDULE OF OPERATING REVENUE
 Fiscal Year Ended June 30, 1998
 (Continued)

	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Miscellaneous Revenue</u>				
Interest	\$ 23,821	\$ 2,449	\$ 14,401	\$
Circuit Court Clerk:				
Jail Cost	5,508			5,508
Restitution	500			500
Work Release	1,836			1,836
Licenses and Permits:				
Cable TV Franchise	3,524	3,524		
Donations	1,504			
Telephone Surcharge	46,741	46,741		
Refunds	5,748	5,748		
Reimbursements:				
Fire Truck	23,439	23,439		
Cellular Settlement Distribution	1,409	1,409		
Insurance Proceeds	16,852	5,542	11,310	
Miscellaneous Items	3,699	1,000	1,301	76
Totals	\$ 134,581	\$ 89,852	\$ 27,012	\$ 7,920
Total Operating Revenue	\$ 1,674,172	\$ 595,565	\$ 908,213	\$ 33,538

METCALFE COUNTY
 SCHEDULE OF OPERATING REVENUE
 Fiscal Year Ended June 30, 1998
 (Continued)

Local Government Economic Assistance Fund	Ambulance Fund	County Parks Fund	Disaster and Emergency Services Fund
\$	\$ 6,971	\$	\$
		1,504	
	982	335	5
\$ 0	\$ 7,953	\$ 1,839	\$ 5
\$ 6,979	\$ 120,992	\$ 1,839	\$ 7,046

THIS PAGE LEFT BLANK INTENTIONALLY

COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

METCALFE COUNTY
COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

Fiscal Year Ended June 30, 1998

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>GENERAL FUND</u>			
<u>General Government</u>			
Office of County Judge/Executive:			
Salaries-			
County Judge/Executive	\$ 48,322	\$ 48,313	\$ 9
Secretaries	9,463	9,463	
Association Dues	660	660	
Travel	1,637	1,617	20
Office of County Attorney:			
Salaries-			
County Attorney	12,000	12,000	
Secretaries	3,700	3,700	
Office of County Clerk:			
County Clerk's Salary	1,500	1,500	
Tax Bill Preparation	4,338	3,950	388
Office of Sheriff:			
Sheriff's Settlement Preparation	2,017	2,017	
Postage for Tax Bills	2,500	2,408	92
Office of County Coroner:			
Travel	1,000	696	304
Fiscal Court:			
Magistrates Salaries	27,600	27,600	
Custodial Supplies	1,270	1,237	33
Chamber of Commerce	3,500	3,500	
Office Materials and Supplies	9,828	8,828	1,000
Telephone	11,073	10,767	306
Advertising	3,500	3,500	
Contracts with Private Agencies	7,000	7,000	
Maintenance Agreements	1,100	1,095	5
Utilities	8,673	8,541	132
Miscellaneous	1,000	991	9

METCALFE COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>GENERAL FUND</u> (Continued)			
<u>General Government</u> (Continued)			
Office of Property Valuation Administrator:			
Statutory Contribution	\$ 9,673	\$ 9,585	\$ 88
Office of Board of Assessment Appeals:			
Per Diem	400	400	
Office of County Treasurer:			
County Treasurer's Salary	4,800	4,800	
Treasurer's Settlement Preparation	1,200	1,000	200
Office of Occupational Tax Administration:			
Tax Director's Salary	7,845	6,555	1,290
Occupational Tax Refund	955	877	78
County Law Library:			
Law Librarian Salary	900	900	
County Law Library Rental	100		100
Elections:			
Per Diem-			
Election Commissioners	2,520	2,520	
Election Officers	3,605	3,605	
Rentals - Polling Places	70	70	
Contracts with Private Agencies	8,785	8,521	264
Building Maintenance	730	275	455
Courthouse:			
Janitor's Salary	964	960	4
Staff Travel	750	207	543
Solid Waste Removal	1,312	1,048	264
Maintenance and Repairs - Courthouse	12,366	12,365	1

METCALFE COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>GENERAL FUND</u> (Continued)			
<u>General Government</u> (Continued)			
<u>Protection to Persons and Property</u>			
County Fire Department:			
Contributions	\$ 21,000	\$ 21,000	\$
Fire Truck Lease	24,458	23,458	1,000
Disaster and Emergency Services:			
Dispatch Service	36,300	36,300	
Contribution - 911 Board	46,742	46,741	1
Equipment	6,997	6,977	20
Office of Public Defender:			
Expert Witness Fee	1,120	1,120	
<u>General Health and Sanitation</u>			
Dog Control:			
Contribution	100	38	62
Health Department:			
Contribution	43,058	43,058	
Repairs and Maintenance	2,815	2,815	
<u>Social Services</u>			
Senior Citizens Program:			
Contribution	2,000	2,000	
<u>Recreation and Culture</u>			
Parks:			
Salaries	9,485	9,485	
Materials and Supplies	7,959	7,959	
Other County Liabilities:			
Lease-Purchase Agreements	14,606	14,096	510

METCALFE COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>GENERAL FUND</u> (Continued)			
<u>Administration</u>			
Auditing Services	\$ 24,505	\$ 24,505	\$
Bank Charges	500		500
Insurance	5,000	4,224	776
Liability Insurance	43,596	43,595	1
Surety Bonds	1,158	904	254
Area Development District - Contribution	3,743	3,743	
Kentucky Association of Counties - Membership Fee	800	800	
Forest Fire Protection	1,754	1,754	
Contingent Appropriations:			
Reserve for Transfers	1,650		1,650
Fringe Benefits:			
County Contributions-			
Social Security	25,500	24,940	560
Retirement	32,379	30,613	1,766
Health Insurance	10,285	9,617	668
Life Insurance	500	226	274
Worker's Compensation	37,500	16,257	21,243
Unemployment Insurance	3,000		3,000
Total General Fund	<u>\$ 627,166</u>	<u>\$ 589,296</u>	<u>\$ 37,870</u>

ROAD AND BRIDGE FUND

Roads

Office of Road Supervisor/Engineer:

Road Supervisor Salary	\$ 22,000	\$ 19,400	\$ 2,600
Office Materials and Supplies	500	492	8
Telephone	600	505	95
Utilities	2,524	2,524	
Office Equipment	118	118	

METCALFE COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>ROAD AND BRIDGE FUND</u> (Continued)			
<u>Roads</u> (Continued)			
Road Maintenance:			
Salaries-			
Road Labor	\$ 157,000	\$ 139,963	\$ 17,037
Payroll Clerk	16,085	15,803	282
Contracted Construction	10,623	10,623	
Fuel and Petroleum Products	40,000	30,182	9,818
Machinery and Equipment-			
Repairs	29,781	29,781	
New Road Machinery	5,632	4,964	668
Materials	397,382	394,331	3,051
Supplies	19,762	18,989	773
Uniforms	3,000	1,296	1,704
Miscellaneous	1,300	1,299	1
Drug and Alcohol Consultants	500	470	30
Other County Liabilities:			
Lease-Purchase Agreements	72,168	72,168	
<u>Administration</u>			
General Services:			
Bank Charges	43	5	38
Contingent Appropriations:			
Reserve for Budget Transfers	27,087		27,087
Fringe Benefits:			
County Contributions-			
Retirement	18,000	13,216	4,784
Social Security	14,000	11,858	2,142
Health Insurance	11,000	9,086	1,914
Life Insurance	400	275	125
Total Road and Bridge Fund	<u>\$ 849,505</u>	<u>\$ 777,348</u>	<u>\$ 72,157</u>

METCALFE COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>JAIL FUND</u>			
<u>Protection to Persons and Property</u>			
Office of Jailer:			
Personnel Services-			
Salaries-			
Jailer	\$ 15,554	\$ 15,553	\$ 1
Transportation Officer	4,100	4,100	
Contract with Other Counties - Juveniles	6,000		6,000
Operations-			
Routine Medical	2,222	1,945	277
Staff Travel	3,000	1,530	1,470
Telephone	550	538	12
Utilities	1,000	905	95
Vehicles	1,500	1,341	159
Housing Prisoners - Other Counties	72,000	63,337	8,663
Miscellaneous Operating Expense	300	187	113
<u>Administration</u>			
General Services:			
Bank Charges	60		60
Association Dues	200	115	85
Contingent Appropriations:			
Reserve for Budget Transfers	831		831
Fringe Benefits:			
County Contributions-			
Retirement	2,000	1,934	66
Social Security	1,500	1,428	72
Total Jail Fund	<u>\$ 110,817</u>	<u>\$ 92,913</u>	<u>\$ 17,904</u>

METCALFE COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND</u>			
<u>General Government</u>			
Office of County Coroner:			
Salaries -			
Coroner	\$ 3,600	\$ 3,600	\$
Deputy Coroner	1,200	1,200	
Total Local Government Economic Assistance Fund	\$ 4,800	\$ 4,800	\$ 0
<u>AMBULANCE FUND</u>			
<u>Protection to Persons and Property</u>			
Ambulance Service:			
Contribution	\$ 108,020	\$ 70,368	\$ 37,652
<u>Administration</u>			
Contingent Appropriations:			
Reserve for Transfers	100,000		100,000
Total Ambulance Fund	\$ 208,020	\$ 70,368	\$ 137,652
<u>COUNTY PARKS FUND</u>			
<u>Recreation and Culture</u>			
Parks:			
Groundskeeper Salary	\$ 770	\$ 731	\$ 39
Utilities	3,630	3,623	7
Total County Parks Fund	\$ 4,400	\$ 4,354	\$ 46

METCALFE COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
DISASTER AND EMERGENCY <u>SERVICES FUND</u>			
<u>Protection to Persons and Property:</u>			
Office of Director:			
D.E.S. Director's Salary	\$ 7,200	\$ 7,200	\$
Office Supplies	500	297	203
Training	626	626	
Travel	374		374
<u>Administration</u>			
Fringe Benefits:			
County Contributions-			
Retirement	575	326	249
Social Security	660	623	37
Health Insurance	<u>3,500</u>	<u>2,523</u>	<u>977</u>
Total Disaster and Emergency Services Fund	<u>\$ 13,435</u>	<u>\$ 11,595</u>	<u>\$ 1,840</u>
TOTAL BUDGET - ALL FUNDS	<u>\$ 1,818,143</u>	<u>\$ 1,550,674</u>	<u>\$ 267,469</u>

SCHEDULE OF UNBUDGETED EXPENDITURES

METCALFE COUNTY
SCHEDULE OF UNBUDGETED EXPENDITURES

Fiscal Year Ended June 30, 1998

<u>Expenditures</u>	Courthouse Fund <hr style="border: 0; border-top: 1px solid black;"/>
Miscellaneous	\$ 175 <hr style="border: 0; border-top: 3px double black;"/>

THIS PAGE LEFT BLANK INTENTIONALLY

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Honorable Donald M. Butler II, Metcalfe County Judge/Executive
Honorable Richard M. Froedge, Former Metcalfe County Judge/Executive
Members of the Metcalfe County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of Metcalfe County Kentucky, as of and for the year ended June 30, 1998, and have issued our report thereon dated January 5, 2000. Except for the effect of those items described in the first paragraph on page two, if any, we conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Metcalfe County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards which are described in the accompanying comments and recommendations, included herein.

- Personnel Files Should Be Properly Maintained For County Employees
- All Funds Should Be Budgeted And Maintained By The County Treasurer
- Accurate Accounting Records Should Be Maintained By The County
- The County Should Adopt A Written Investment Policy
- The County Should Maintain An Investments Ledger

Honorable Donald M. Butler II, Metcalfe County Judge/Executive
Honorable Richard Froedge, Former Metcalfe County Judge/Executive
Members of the Metcalfe County Fiscal Court
Report On Compliance And On Internal Control Over Financial Reporting
Based On An Audit Of Financial Statements Performed In Accordance
With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Metcalfe County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Metcalfe County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying comments and recommendations, included herein.

- Personnel Files Should Be Properly Maintained For County Employees
- All Funds Should Be Budgeted And Maintained By The County Treasurer
- Accurate Accounting Records Should Be Maintained By The County
- The County Should Adopt A Written Investment Policy
- The County Should Maintain An Investments Ledger

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider the following to be material weaknesses.

- Personnel Files Should Be Properly Maintained For County Employees
- All Funds Should Be Budgeted And Maintained By The County Treasurer
- Accurate Accounting Records Should Be Maintained By The County

This report is intended for the information of management. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
January 5, 2000

COMMENTS AND RECOMMENDATIONS

METCALFE COUNTY
COMMENTS AND RECOMMENDATIONS

Fiscal Year Ended June 30, 1998

STATE LAWS AND REGULATIONS:

1) Personnel Files Should Be Properly Maintained For County Employees

During our test of payroll expenditures, we noted that proper personnel files were not being maintained for several employees. No personnel file was found for one employee. Signed withholdings authorizations were not found in the personnel files for six other employees. Timesheets were not found for four of the employees tested. KRS 337.320 requires that every employer keep a record of:

- (a) The amount paid each pay period to each employee;
- (b) The hours worked each day and each week by each employee; and
- (c) Such other information as the secretary requires.

Such records shall be kept on file at least one (1) year after entry. They shall be open to inspection and transcript of the commissioner or his authorized representative at any reasonable time, and every employer shall furnish to the secretary or his authorized representative on demand a sworn statement to be upon forms prescribed or approved by him.

We recommend that proper personnel files and timesheets be maintained for county employees.

County Judge Don Butler's Response:

At date of audit report time sheets are being implemented and personnel files are being updated.

2) All Funds Should Be Budgeted And Maintained By The County Treasurer

During the audit, we found that the Animal Shelter and Courthouse funds were not included in the budget or maintained by the County Treasurer. KRS 68.240 requires the County Judge/Executive to annually prepare a proposed budget for the expenditure of all funds which are to be expended by the fiscal court in the next fiscal year. In addition, KRS 68.020 states that the County Treasurer should receive and receipt all money. All checks should be co-signed by the County Treasurer and the County Judge/Executive. We recommend that, in the future, all funds be budgeted and maintained by the County Treasurer.

County Judge Don Butler's Response:

[ANIMAL SHELTER FUND]: Pursuant to Auditors recommendations, this account was put in "escrow" at interest rate equal to certificate of deposit rates.

[COURTHOUSE FUND]: This fund was closed and balances were deposited into the General Fund pursuant to recommendation of Auditors.

[JAIL FUND – MEDICAL RESERVE]: This fund was closed and balances were deposited into the Jail Fund.

METCALFE COUNTY
 COMMENTS AND RECOMMENDATIONS
 Fiscal Year Ended June 30, 1998
 (Continued)

STATE LAWS AND REGULATIONS: (Continued)

3) Accurate Accounting Records Should Be Maintained By The County

The county's appropriation ledger was not correctly posted, resulting in an inaccurate county financial statement. Auditors noted that voided checks were posted, checks were posted for incorrect amounts, and some checks were posted twice. Some expenditures were posted to incorrect accounts in the appropriations ledger. Although two appropriations ledgers were maintained by the county, it does not appear that they were reconciled properly. Additional errors were made when preparing the financial statements, including mathematical errors and posting amounts to the wrong columns on the quarterly financial statements. Several receipts including county and state payments were posted to miscellaneous receipts or otherwise misclassified. We recommend the county maintain accurate accounting records in the future and that the two appropriations ledgers be reconciled regularly.

County Judge Don Butler's Response:

In January, 1999, the system in place was continued; As of July, 1999 the accounting procedures recommended by the State Auditors was adopted and in place.

4) The County Should Adopt A Written Investment Policy

The county did not adopt a written investment policy by January 1, 1995. According to KRS 66.480, the county shall, by January 1, 1995, adopt a written investment policy that shall govern the investment of funds by the local government or political subdivision. The written investment policy shall include, but shall not be limited to the following:

- a) A designation of the officer or officers of the local government or political subdivision who are authorized to invest and oversee the investment of funds;
- b) A list of the permitted types of investments;
- c) Procedures designed to secure the local government's or political subdivision's financial interest in the investments;
- d) Standards for written agreements pursuant to which investments are to be made;
- e) Procedures for monitoring, control, deposit, and retention of investments and collateral;
- f) Standards for the diversification of investments, including diversification with respect to the types of investments and firms with whom the local government or political subdivision transacts business;
- g) Standards for the qualifications of investment agents which transact business with the local government, such as criteria covering creditworthiness, experience, capitalization, size, and any other factors that make a firm capable and qualified to transact business with the local government or political subdivision; and
- h) Requirements for periodic reporting to the governing body on the status of invested funds.

We recommend that the county adopt a written investment policy pursuant to KRS 66.480.

County Judge Don Butler's Response:

Metcalf Fiscal Court will adopt a written investment policy, according to KRS 66.480 at the next regular Fiscal Court meeting which will be held on October 12, 1999.

METCALFE COUNTY
 COMMENTS AND RECOMMENDATIONS
 Fiscal Year Ended June 30, 1998
 (Continued)

STATE LAWS AND REGULATIONS: (Continued)

5) The County Should Maintain An Investments Ledger

The County did not maintain an investments ledger. Auditors analyzed investment activities based on the statements from the bank which was a very time consuming process. An investments ledger would help provide an adequate audit trail and reduce audit costs. We recommend that in the future the County Treasurer maintain an investments ledger.

County Judge Don Butler's Response:

Investment ledger in place as of July 1, 1999; and all principal and interest balances corrected.

6) Certification Of Compliance - Local Government Economic Assistance Program

KRS 42.460 requires that any assistance granted under KRS 42.450 to KRS 42.495 include an agreement that an independent annual audit shall be conducted and that the audit report shall include a certification that the funds were expended for the purpose intended. A copy of the audit and certification of compliance shall be forwarded to the Department for Local Government, in the case of assistance granted from the local government economic assistance fund, within eighteen (18) months after the end of the fiscal year. We have included this certification in the audit report, but the former County Treasurer declined to sign the certification.

INTERNAL CONTROL OVER FINANCIAL REPORTING:

Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Metcalfe County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. These conditions are described above and we consider the following to be material weaknesses.

- Personnel Files Should Be Properly Maintained For County Employees
- All Funds Should Be Budgeted And Maintained By The County Treasurer
- Accurate Accounting Records Should Be Maintained By The County

PRIOR YEAR COMMENTS AND RECOMMENDATIONS

There were no prior year noncompliances reported.

THIS PAGE LEFT BLANK INTENTIONALLY

CERTIFICATION OF COMPLIANCE – LOCAL
GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

METCALFE COUNTY FISCAL COURT

Fiscal Year Ended June 30, 1998

CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
METCALFE COUNTY FISCAL COURT

December 31, 1998

The Metcalfe County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



Name
County Judge/Executive

Name
County Treasurer